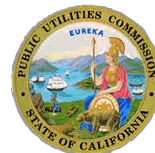


**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



**FILED**

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Order Instituting Rulemaking to Oversee the  
Resource Adequacy Program, Consider  
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Rulemaking 17-09-020  
(Filed September 28, 2017)

**CALPINE CORPORATION COMMENTS ON CLARIFICATION TO RESOURCE  
ADEQUACY IMPORT RULES**

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July 19, 2019

Attorneys for Calpine Corporation

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**CALPINE CORPORATION COMMENTS ON CLARIFICATION TO RESOURCE  
ADEQUACY IMPORT RULES**

Pursuant to the July 3, 2019 *Assigned Commissioner’s Ruling Seeking Comment on Clarification to Resource Adequacy Import Rules* (“Ruling”), Calpine Corporation (“Calpine”) offers the following comments on import Resource Adequacy (“RA”) and responses to the specific questions in the Ruling.

**I. INTRODUCTION**

Calpine believes the Commission should affirm that, consistent with common practice, the provision of import RA does not require the actual delivery of energy unless the energy is self-scheduled or scheduled by the California Independent System Operator (“CAISO”) pursuant to the import RA must-offer obligation. Requiring actual energy deliveries from import RA capacity would potentially raise costs and contribute to operational challenges by displacing more economic internal and non-RA external resources, including renewables. In addition, it would lead to fundamentally different treatment for imports than internal resources, i.e., an internal resource is not required to provide energy in every hour in which it is subject to the must-offer obligation but only the hours in which it is self-scheduled or dispatched by the CAISO.

Calpine does share Energy Division's concerns that import RA capacity may not be backed by physical resources and transmission and hence may not be available when needed and/or may only provide energy at relatively high prices. Consequently, the Commission should consider several changes to import RA rules, potentially including energy offer caps for import RA capacity and clearer and more forward requirements to identify the resources and the transmission supporting RA imports. These changes should be considered in a new track of the proceeding and apply prospectively so that the market has the chance to respond to the changes. In addition, the Commission should coordinate changes in its import RA rules with parallel changes that the CAISO is considering in its RA Enhancements initiative and any other initiatives that the CAISO may pursue with respect to system market power mitigation.

## **II. CALPINE'S RESPONSES TO THE SPECIFIC QUESTIONS IN THE RULING**

### **1. Should Commission decisions (a) require RA import contracts to include the actual delivery of firm energy with firm transmission and (b) clarify that only a bidding obligation is deemed not sufficient to meet RA rules?**

For RA purposes, the Commission should not require actual deliveries of firm energy. Instead, the Commission should affirm current practice and clarify that the provision of import RA requires the delivery of firm energy when the energy is self-scheduled or scheduled by the CAISO pursuant to the import RA must-offer obligation.

### **2. Do parties agree that firm transmission capacity is required in addition to firm energy? Please explain why or why not.**

Calpine agrees that firm transmission should be required to provide import RA capacity, but believes that current rules about when firm transmission must be secured are unclear. Consequently, the Commission should clarify that firm transmission should be secured in the forward RA timeframe. For instance, for import RA capacity that is shown in the year-ahead timeframe, the associated firm transmission should be secured in the year-ahead timeframe. If

the Commission introduces such a requirement, it, along with the CAISO, should specify a process for import RA suppliers to change the firm transmission (and underlying resources) after the transmission (and underlying resources) have been shown, for example, if the resource that was shown initially is forced out or another resource turns out to be more economic.

Because current RA rules with respect to when firm transmission must be secured are unclear, Calpine believes that any change/clarification to the rules should apply prospectively.

**3. Should the Commission clarify its rules, or are existing decisions and requirements sufficient? If the former, please propose clarifying language and/or how such clarifications should be established.**

In a new ruling or decision, the Commission should affirm that import RA resources are expected to be able to deliver energy when they are self-scheduled or scheduled by the CAISO pursuant to the import RA must-offer obligation. To the extent the Commission interprets its rules as requiring deliveries of firm energy regardless of economics, it should clarify in what hours it requires deliveries.<sup>1</sup>

As suggested above, the Commission should consider more significant changes to import RA rules in a new track of the instant proceeding and in parallel with related CAISO stakeholder initiatives. More significant changes might include energy offer caps for import RA capacity, new requirements to identify the resources and transmission supporting import RA capacity in the forward RA timeframe, and a process to change the resources and transmission supporting

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<sup>1</sup> For example, for non-unit specific RA imports, the must-offer obligation could extend to all hours, but, under current rules, the CAISO only enforces compliance with the must-offer obligation by inserting bids in RAIM assessment hours. Would the Commission require energy deliveries in all hours, only in RAIM assessment hours, or some other set of hours? See CAISO, *Business Practice Manual for Reliability Requirements*, at 80 (May 13, 2019), available at <https://bpmcm.caiso.com/BPM%20Document%20Library/Reliability%20Requirements/BPM%20for%20Reliability%20Requirements%20Version%2042.docx>.

import RA capacity after initial demonstrations. To the extent that these changes are implemented, they should apply prospectively.

- 4. If the Commission determines that RA import contracts with a bidding obligation, but without delivery of firm energy with firm transmission, do not qualify as RA, how should these types of contracts be addressed going forward? Should these contracts be disallowed for the balance of 2019, beginning in 2020, or at a later date?**

The Commission should not disallow contracts negotiated in good faith based on the current rules. Because many import RA transactions for the 2020 delivery year have already occurred, the Commission should aim to have clear rules in place in 2020 for the 2021 and beyond delivery years.

- 5. How should LSEs document that their RA import resources meet the Commission's import rules? Examples may include, but are not limited to, LSEs providing attestations or certifications for each import contract or attestations from the import provider.**

LSEs should provide attestations that the import RA capacity that they are showing meets CPUC requirements and be able produce contracts, such as power purchase agreements and contracts for firm transmission that support the attestations. In addition, the Commission should coordinate with the CAISO to determine compliance with must-offer obligations.

- 6. If necessary, how should Energy Division staff determine compliance?**

Before the delivery month, Energy Division might validate the documentation/attestations described in Calpine's response to Question 5 above. Within the delivery month, the CAISO could ensure compliance with import RA must-offer obligations through non-delivery penalties and/or bid insertion.

**7. If it is determined that the imports used by an LSE do not meet the Commission's firm energy requirements, does the existing RA penalty structure provide enough deterrence to prevent further transactions of this type? If not, what additional remedies or corrective measures should be imposed?**

LSEs should not be allowed to show import RA capacity that the Commission determines is inconsistent with its import RA requirements for RA compliance. However, there should be no explicit penalties for showing such resources beyond the penalties for deficiencies that might arise in the event the Commission rejects such showings and the LSE cannot find suitable alternative capacity.

Respectfully submitted,

By: /s/\_\_\_\_\_

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